beneficiaries' level is left to the discretion of the financing banks as per the scheme of deregulation of interest rates introduced by Reserve Bank of India (RBI) in 1994. NABARD has reported that there is no proposal to increase the rate of interest on refinance in respect of term loan for agriculture, allied and non-farm sector activities. On the contrary, NABARD has reduced the interest rates with effect from 1 November, 2001 by 0.5% on refinance for loaning under rural housing, minor irrigation, waste land development and others by all agencies. Refinance at concessional rate is also available for financing self-help groups. Further, loans upto Rs. 25,000/- extended by cooperative banks qualify for lower rate of interest at 7% p.a. on NABARD refinance. Moreover, the rates of interest for refinance on loans above Rs. 2 lakhs have also been reduced from 10.5% to 10% for all agencies. With this downward revision of interest rate on refinance it is expected that interest rate charged by the financing banks will also get reduced.

Waiver of Sanctions by USA

197. SHRI R. P. GOENKA: Will the Minister of FINANCE be pleased to state:

(a) whether a detailed study has been made of the recent waiver of the 1998 sanctions and prohibitions against India by the US Administration;

(b) if so, the analysis of the studies so far, including the benefits flowing for the dual purpose technologies and international lending by multilateral agencies like the World Bank and the Asian Development Bank;

(c) the details of other sanctions imposed by US at different times which are still operative; and

(d) the steps being taken to seek their removal and their present status?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) to (d) Details have been furnished in the annexure enclosed. [*See* Appendix *194, Annexure No 1*]

Report of E-Commerce Committee

198. SHRI C.P. THIRUNAVUKKARASU: Will the Minister of FINANCE be pleased to state:

(a) whether the Committee on Electronic Commerce and Taxation has submitted its report to Government;

(b) if so, the main recommendations of the Committee;

(c) whether Government have examined the recommendations of the Committee; and

(d) if so, what is Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINJEE N. RAMACHANDRAN): (a) Yes, Sir.

(b) The statement enclosed. (*See* below)

(c) and (d) The Government will examine the recommendations of the Committee after taking into consideration the opinion / comments called for from the public till 31st January, 2002 and also the international developments in this area.

Statement

Recommendations / Observations of the High Powered Committee on E- Commerce and Taxation

1. The Committee desires the consideration of neutrality of taxation of e-commerce *vis-a-vis* traditional commerce, ensuring integrity of the direct tax bases and working for international consensus keeping the national interest in view.

2. The effect of e-commerce on the concept of permanent establishment (PE) and characterisation of income in respect of payments in cross border transactions have been examined by the Committee. The Committee is of the view that the concept of PE needs to be abandoned. Under the existing principles of international taxation the server of a non-resident enterprise, hosting its Website, would constitute a PE if the server is at the disposal of the enterprise, and remains at a fixed place for a period of time and performs the core business functions of the enterprise. However, this does not lead to certainty of taxation in view of the possibility of use of minor servers. It also results in shifting of equilibrium in revenue sharing in favor of countries of residence as against countries of source, because very little income would be attributable to such a stand-alone server.

3. The issues regarding characterisation of income through cross border payments have been examined with reference to the 28 categories of transactions considered by the Tax Advisory Group (TAG) of Organisation

for Economic Cooperation and Development (OECD). The Committee's views differ from those of the OECD in regard to a number of these categories. The Committee has recommended that a view should be taken in regard to each of the 28 categories to ensure uniformity of approach by different Assessing Officers. It has also recommended regular monitoring of new emerging categories of transactions as a continuous process.

4. With regard to enforcement the Committee is of the view that the extent of e-commerce, particularly online e-commerce is nominal at present and is not likely to be significant in near future. However, the enforcement challenges will arise once the problems in delivery and payment mechanism are sorted out. A number or recommendations have been made to prepare the Income-tax administration to meet these challenges.

5. Finally, the Committee has pointed out areas in which taxpayer services can be improved through the use of Internet.

The Report is now available on the web site of the Ministry of Finance: **http:/ /www.finmin.nic.in** for comments/opinion from the public.

Reduction of PPF's rate of interest

199. MISS MABEL REBELLO: Will the Minister of FINANCE be pleased to state:

(a) what are the reasons for the decision of Government to reduce rate of interest on Public Provident Fund and other small savings by one per cent;

(b) whether any assessment has been made to study the extent to which this will affect the household savings; and

(c) if so, what are the results of such assessment?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) The rates of interest on small savings instruments, Public provident Fund, General Provident Fund etc. were reduced as the real interest rates on these schemes were considered to be high preventing the downward movement of other rates of interest in the economy.

(b) and (c) The effect of interest rate on savings in developing economies like India is not clear due to rigidities/distortions in the market arising from factors like administered interest rates and tax incentives. Small savings schemes and provident funds offer significant tax incentives and the relative return